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Robert L. Hautala, Production Manager, U.S. District Minerals Exploration and Production

September 22, 1982

ACT/045/017

Mr. Ronald W. Daniels
Deputy Director
Division of Oil, Gas and Mining
4241 State Office Building
Salt Lake City, Utah 84114

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Dear Mr. Daniels:

DIVISION OF
OIL, GAS & MINING

In support of Getty Mining Company's request for a determination of self-bonding capability we submit the following information.

Getty Mining Company is a wholly owned subsidiary of Getty Oil Company. Getty Oil Company is an integrated petroleum company engaged in crude oil and natural gas exploration, transportation, refining and marketing. Other company activities include exploration, production and marketing of non-petroleum minerals and activities in insurance, chemicals, television, agriculture, real estate, synthetic fuels, and forest products. (Please see attached 1981 Getty Oil Company Annual Report).

In following the Board's previous self-bonding requirement that Getty Oil Company guarantee the performance of Getty Mining Company in regard to reclamation obligations Getty Mining Company presents the following financial information pertaining to Getty Oil Company.

The 1981, 53rd Annual Report to Stockholders by Getty Oil Company contains consolidated financial statements which have been examined by the independent auditor firm of Arthur Andersen & Co. Getty Mining Company's net worth as of December 31, 1981 totaled \$4,773,529,000. Working capital provided from operations in 1981 totaled \$2,040,575,000. Getty Mining Company's total after tax net income for 1981 totaled \$856,865,000 on revenue of \$13,252,560,000. Total 1981 assets equaled \$9,536,356,000.

In addition to this current financial data we are also submitting the following information relating to Getty Oil Company's financial strength. Getty Oil Company's long history of financial solvency gives it the ability to access the financial markets for large amounts of money through the sale of both long-term and short-term bonds.

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Bond ratings provide an appraisal of a firm's ability to repay long-term debts. The Office of Surface Mining determined in its August 20, 1982 proposed rules on self-bonding that a high bond rating shows financial strength equal to that displayed by high tangible net worth or tangible fixed assets.

Getty currently enjoys the highest rating available both on its long-term and short-term debt from the two leading independent financial analysts, Moody's and Standard & Poor's. The following is a current assessment of Getty's long-term and short-term debt ratings:

A. Moody's Debt Ratings of Getty Oil Company

1.a. Long-Term Debt Rating = "Aaa"

1.b. Moody's Definition of "Aaa":

"Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as 'gilt edged.' Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues."

2.a. Short-Term Debt Rating (Commercial Paper)
= "Prime-1"

2.b. Moody's Definition of "Prime-1":

"Moody's Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months."

"Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- Leading market positions in well-established industries.

- High rates of return on funds employed.
- Conservative capitalization structures with moderate reliance on debt and ample asset protection. (Emphasis added.)
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity."

B. Moody's Quality Analysis and Rating of Getty Oil Company, July, 1982:

"Getty Oil is an integrated oil company operated principally within the United States. The production of crude oil liquids and natural gas account for in excess of 90% of gross operating income. The company enjoys one of the best reserve life indexes in the oil industry. The company's debt is modest considering the size and scope of petroleum operations. Cash flow measurements and interest coverage have been excellent. In addition, a sizable cash and marketable securities portfolio provides substantial liquidity for commercial paper borrowings." (Emphasis added.)

C. Standard & Poor's Debt Ratings of Getty Oil Company

1.a. Long-Term Debt Rating = "AAA"

1.b. Standard & Poor's Definition of "AAA":

"Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extraordinarily strong."

2.a. Short-Term Debt Rating (Commercial Paper)
= "A-1+"

2.b. Standard & Poor's Definition of "A-1+":

"Issues rated 'A-1+' are those with an 'overwhelming degree of credit protection.'"

"The 'A-1+' rating is assigned to issues which meet either of the following criteria: